

**ALLIANCE FOR CONTRACEPTION
IN CATS AND DOGS**

FINANCIAL STATEMENTS

Year Ended December 31, 2018



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

FINANCIAL STATEMENTS

Year Ended December 31, 2018

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Alliance for Contraception in Cats and Dogs
Portland, Oregon

We have reviewed the accompanying financial statements of Alliance for Contraception in Cats and Dogs (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We previously reviewed Alliance for Contraception in Cats and Dogs' 2017 financial statements and in our conclusion dated June 21, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Kern & Thompson, LLC

Portland, Oregon
May 31, 2019

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Comparative Totals as of December 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 601,478	\$ 734,096
Grants and contributions receivable	<u>174,394</u>	<u>140,971</u>
Total assets	<u>\$ 775,872</u>	<u>\$ 875,067</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 15,512	\$ 7,731
Accrued liabilities	3,084	3,688
Deferred revenue	<u>-</u>	<u>36,000</u>
Total liabilities	<u>18,596</u>	<u>47,419</u>
Net assets		
Without donor restrictions	587,276	576,648
With donor restrictions	<u>170,000</u>	<u>251,000</u>
Total net assets	<u>757,276</u>	<u>827,648</u>
Total liabilities and net assets	<u>\$ 775,872</u>	<u>\$ 875,067</u>

See independent accountants' review report and notes to financial statements.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
Revenues and other support				
Grants	\$ 126,000	\$ 180,362	\$ 306,362	\$ 452,807
Contributions	18,126	-	18,126	20,379
Other revenue	678	-	678	933
Symposium revenue	17,398	398	17,796	-
Interest income	4,836	-	4,836	447
	<u>167,038</u>	<u>180,760</u>	<u>347,798</u>	<u>474,566</u>
Net assets released from restriction for timing	<u>261,760</u>	<u>(261,760)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>428,798</u>	<u>(81,000)</u>	<u>347,798</u>	<u>474,566</u>
Expenses				
Program services	321,645	-	321,645	247,478
Supporting services				
Management and general	61,484	-	61,484	53,319
Fundraising	35,041	-	35,041	29,495
Total expenses	<u>418,170</u>	<u>-</u>	<u>418,170</u>	<u>330,292</u>
Change in net assets	10,628	(81,000)	(70,372)	144,274
Net assets, beginning of year	<u>576,648</u>	<u>251,000</u>	<u>827,648</u>	<u>683,374</u>
Net assets, end of year	<u>\$ 587,276</u>	<u>\$ 170,000</u>	<u>\$ 757,276</u>	<u>\$ 827,648</u>

See independent accountants' review report and notes to financial statements.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	<u>SUPPORTING SERVICES</u>				
	<u>PROGRAM</u>	<u>Management</u>			
	<u>SERVICES</u>	<u>and</u>	<u>Fund-</u>	<u>2018</u>	<u>2017</u>
		<u>General</u>	<u>raising</u>		
Salaries	\$ 91,806	\$ 18,361	\$ 12,241	\$ 122,408	\$ 116,988
Other salaries and wages	68,703	17,197	14,345	100,245	94,871
Payroll taxes and benefits	18,344	4,230	3,287	25,861	24,844
Regrants	3,000	-	-	3,000	-
Professional services	9,858	14,952	-	24,810	12,300
Advertising and promotion	2,881	385	-	3,266	7,408
Office expenses	4,623	111	21	4,755	5,225
Travel	13,037	46	4,417	17,500	9,899
Conferences, conventions, and meeting	1,894	-	-	1,894	1,631
Insurance	-	2,784	-	2,784	2,597
Symposium and Think Tanks	93,944	-	-	93,944	19,679
Research	13,477	-	-	13,477	30,203
Payroll processing	-	3,063	-	3,063	3,114
Fundraising	-	-	518	518	756
Other expenses	78	355	212	645	777
	<u>\$ 321,645</u>	<u>\$ 61,484</u>	<u>\$ 35,041</u>	<u>\$ 418,170</u>	<u>\$ 330,292</u>

See independent accountants' review report and notes to financial statements.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (70,372)	\$ 144,274
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in assets:		
Depreciation and amortization	-	3,150
Grants and contributions receivable	(33,423)	66,179
Increase (decrease) in liabilities:		
Accounts payable	7,781	(2,420)
Accrued liabilities	(604)	(2,588)
Deferred revenue	(36,000)	36,000
Net cash provided by (used in) operating activities	<u>(132,618)</u>	<u>244,595</u>
Net change in cash	(132,618)	244,595
Cash and cash equivalents, beginning of year	<u>734,096</u>	<u>489,501</u>
Cash and cash equivalents, end of year	<u>\$ 601,478</u>	<u>\$ 734,096</u>

See independent accountants' review report and notes to financial statements.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – DESCRIPTION OF ORGANIZATION

The mission of the Alliance for Contraception in Cats & Dogs (“the Organization,” or “ACC&D”) is to advance non-surgical sterilants and contraceptives for cats and dogs and to promote their global accessibility. We envision a world in which dog and cat populations are effectively and humanely managed, improving the lives of dogs and cats and the people who care about them. To achieve this mission, ACC&D provides scientifically sound and animal welfare-oriented resources to stakeholders, supports the appropriate distribution of available products suitable for the humane control of cat and dog populations, and facilitates research on topics relevant to the application, acceptance, and use of non-surgical fertility control methods.

ACC&D is a not-for-profit organization formed in 2000. It grew out of a pivotal meeting at Virginia Tech and in early years operated as a program of Auburn University. The Organization was incorporated in 2005 as a stand-alone 501(c)(3). It has held six international symposia to convene researchers, academics, veterinarians, animal welfare professionals, and other stakeholders in advancing cat and dog fertility control. The 6th International Symposium on Non-Surgical Contraceptive Methods of Pet Population was held in July 2018.

In 2018, the Organization was guided by a 12-person Board of Directors and a 13-member Science Advisory Board. Both Boards have international representation and reflect significant volunteer support from senior leaders, veterinarians, scientists and academics. Several of these volunteers also contribute as the Scientific Advisory Board of the Michelson Prize and Grants program of the Found Animals Foundation, which has provided over \$15 million in grants since 2009 to nearly 40 projects toward development of a non-surgical sterilant(s) for dogs and cats.

ACC&D’s Council of Stakeholders comprises leading organizations which provide key strategic and networking support as well as key financial resources to help ensure sustainability. Council members include Alley Cat Allies, the American Society for the Prevention of Cruelty to Animals (ASPCA), Best Friends Animal Society, The Humane Society of the United States (HSUS), International Cat Care, International Fund for Animal Welfare, Maddie’s Fund, Petco Foundation, and PetSmart Charities.

Based in Portland, Oregon, ACC&D relies on grants from other not-for-profit organizations, private foundations, and individual major donors for its primary support. Key accomplishments in 2018 included the following:

- **Progress toward a non-surgical sterilant and the 6th International Symposium on Non-surgical Methods of Pet Population Control:** Our 6th International Symposium in Boston, MA convened 150 delegates from 13 countries spanning five continents for two and a half days of programming. Attendees rated the overall conference an average of 4.76/5 stars (the best possible rating), citing the conference as being educational, offering great networking, and having high quality speakers. One of the highlights of the Symposium was the promising new approach of gene transfer. Researchers presented two studies underway in cats using viral vectors to deliver genes to suppress fertility. Dr. David Pepin of Harvard University’s Michelson-funded research involves a single injection to sterilize female cats by delivering a gene whose expression prevents the development of eggs in the ovaries. The treatment has been shown to suppress fertility in female mice for over a year – their reproductive lifetime. A second study in cats began in early 2019.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

- **Free-roaming cat population modeling:** Our free-roaming cat population modeling project continues with support from consultant Dr. Phil Miller, Board member Dr. John Boone, and several other volunteers on the modeling team. Dr. Boone's presentations on the model findings and the related topic of how to most effectively employ TNR for free-roaming cats were very well-received at our 6th International Symposium. We are preparing to publish two project-related manuscripts. The first, submitted Fall 2018, was invited by *Frontiers in Veterinary Sciences'* special issue "Sustaining Innovation in Compassionate Free-Roaming Cat Management Across the Globe: A Decadal Reappraisal of the Practice and Promise of TNVR". Our analysis addresses the impacts of different methods of cat management on "preventable deaths" of cats—both kittens and adult cats subjected to lethal management. Findings suggest that "preventable deaths" are comprised mostly of kitten mortality, rather than adults, for all management scenarios. High-intensity TNR reduces cumulative preventable deaths over 10 years more so than other tested scenarios (including lethal management), which is hugely supportive of TNR. However, low-intensity TNR results in more preventable deaths, a reminder of the importance of being strategic when conducting TNR campaigns. The manuscript was submitted in October, has been reviewed and resubmitted with final edits; we anticipate that it will be published shortly. Once the publications are complete, we will translate results into a more "user-friendly" practical guide with strategies and tips to most effectively and strategically conduct TNR campaigns based on the data we have collected and analyzed.
- **Ethical Decision-Making:** In the early part of the year, our article, "Exploring the Gaps in Practical Ethical Guidance for Animal Welfare Considerations of Field Interventions and Innovation Targeting Dogs and Cats," was published in the journal *Animals* for its special issue devoted to animal ethics. In May, we hosted a round table discussion on the topic at The HSUS Expo. Participants spoke about the ethical quandaries they face in their work at shelters, such as the conflicts that arise between staff when a decision needs to be made as to the fate of an ill cat. The rest of 2018 focused on developing a guidance document for ethical decision-making when conducting projects in the field. The guidance document and associated toolkits are near completion, with contributions from experts in the field.
- **GonaCon immunocontraceptive vaccine:** In 2018 ACC&D published two articles regarding our study of the contraceptive effect of GonaCon in female cats in the *Journal of Feline Medicine and Surgery*. The first, "Effectiveness of GonaCon as an immunocontraceptive in colony-housed cats," (published February 2018), highlighted the study's methods and results. The second, "Hybrid model intermediate between a laboratory and field study: A humane paradigm shift in feline research" (published July 2018), spoke to the unique approach of our study using outbred cats in a simulated free-roaming setting. Regrettably our study results did not show a long enough duration of effect to advance this GnRH vaccine as a multi-year contraceptive for free roaming cats. However, the hope is that our model provides an example for how research can be done with cat welfare as the utmost priority, and our publications make this as accessible as possible.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

- **Marking non-surgically contracepted/sterilized animals:** Our project exploring the use of microneedle patches to tattoo an animal's ear progressed substantially in 2018. Microneedle patches are being developed to administer the flu vaccine to humans, among other uses. Application is reported to be painless by both adults and children, and one study using the patch to administer the rabies vaccine in the ears of dogs suggests it causes minimal to no pain in dogs. (In this study, 0% of the six dogs showed signs of intolerance to patch application during prime vaccination, compared to 60% of the dogs given a traditional injection. It is also of interest to note that antibody titers after vaccination by microneedle patch were similar to responses to intramuscular vaccines at the same dose!)

We've been working closely with Dr. Mark Prausnitz of the Georgia Institute of Technology to explore using these patches to tattoo the inside of a dog or a cat's ear to indicate that it has been non-surgically sterilized and/or vaccinated. So far things are looking good! We've been able to load patches with both regular and UV-excitabile ink, and into the shape of numbers. The patches we applied first to pig cadaver ears. After that looked promising, patches were then applied to dog and cat cadaver ears (the animals were euthanized for non-related reasons), and the results are so promising that by year end, we are in the process of designing a pilot study to test the patches in awake dogs and cats.

- **Outreach and Education:** In 2018 ACC&D exhibited at The HSUS Expo and New England Federation of Humane Societies Conference, and attended the Veterinary Innovation Summit, and Pet Health Industry Summit hosted by Banfield. We held our Symposium in July and made proceedings available on our website free of charge. ACC&D also uploaded proceedings to The World Continuing Education Alliance online continuing education platform.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended December 31, 2018, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958* ("ASU 2016-14"). This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions and endowment funds have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred. Transactions are classified according to the existence or absence of donor-imposed restrictions.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort and square-footage usage estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions and Unconditional Promises to Give

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

Property and equipment is recorded at cost. Donated equipment is recorded at fair market value at the date received. Depreciation and amortization is computed on the straight-line method over the estimated useful lives, which ranges from three to seven years. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,500.

Income Taxes

The Organization has been approved as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

NOTE C – GRANTS RECEIVABLE

Grants receivable consist of unconditional promises to give. Based on the history of these grantors, the funding is expected to be collected in full. As of December 31, 2018, \$149,394 of contributions receivable is expected to be collected in 2019 and \$25,000 is expected to be collected in 2020. Management has not discounted the 2018 grants receivable as the effect of doing so is immaterial.

NOTE D – DEFERRED REVENUE

The Organization occasionally receives payment for sponsorships related to symposia to be held in the following year. Management recorded no deferred revenue as of December 31, 2018.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE E – RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions totaled \$170,000 and are all grants with a timing restriction.

Subject to time restrictions:

2019 Support	\$ 145,000
2020 Support	<u>25,000</u>
Total net assets with donor restrictions	<u>\$ 170,000</u>

NOTE F – DONATED ASSETS AND SERVICES

The Organization receives donated services from a variety of unpaid volunteers assisting in the programs it offers. No amounts have been recognized in the accompanying Statement of Activities because the criteria for recognition of such volunteer effort under generally accepted accounting principles have not been satisfied.

NOTE G – CONCENTRATIONS OF CREDIT RISK

Cash equivalents include money market mutual fund held at a brokerage. These financial instruments may subject the Organization to concentrations of credit risk. Brokerage deposits in excess of Securities Investor Protection Corporation (SIPC) insurance exist as of December 31, 2018.

NOTE H – RETIREMENT PLAN

The Organization provides retirement benefits to its employees through a Defined Contribution Plan covering all qualified employees. The Organization contributes 4% of gross wages. Contributions to the Plan during the year ended December 31, 2018 aggregated \$8,473.

NOTE I – RELATED PARTY TRANSACTIONS

The Organization currently employs an individual who is also a member of the Board. This individual received \$114,892 of compensation in the capacity of President of the Organization during 2018.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE J – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018:

Financial assets at year-end*	
Cash and cash equivalents	\$ 601,478
Grants and contributions receivable	<u>174,394</u>
Total financial assets	<u>775,872</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	
Subject to timing restrictions	<u>25,000</u>
Total unavailable financial assets	<u>25,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>750,872</u></u>

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of current requirements in short-term investments.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 31, 2019 which is the date the financial statements were available to be issued.